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NEWSPAPER

October 26, 1987

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Consumer shock

Wall Street quake rocks advertisers

By JUDANN DAGNOLI and PATRICIA WINTERS

CORONADO, CALIF.—Advertising executives arriving here last week for the 78th annual meeting of the Association of National Advertisers came joking about the next earthquake, but left talking about the tremors on Wall Street.

The record plunge and recovery of the world's stock markets split ANA members into two camps, with package-goods marketers predicting little change in the pressure to protect and build their brand franchises, and big-ticket marketers—for cars, appliances and discretionary vacation spending—expressing concern about the marketing impact.

The key question is how badly Wall Street's roller-coaster ride has shaken consumer confidence, and whether this will translate into a sales downturn and eventual cutbacks that would affect ad budgets and other promotional strategies.

"If the money for a new car that families were counting on got blown away on Oct. 19, we are going to be hurt," an automobile marketer said.

This view was echoed by others whose products and services depend on family savings and investment program revenues.

For established consumable brands, however,

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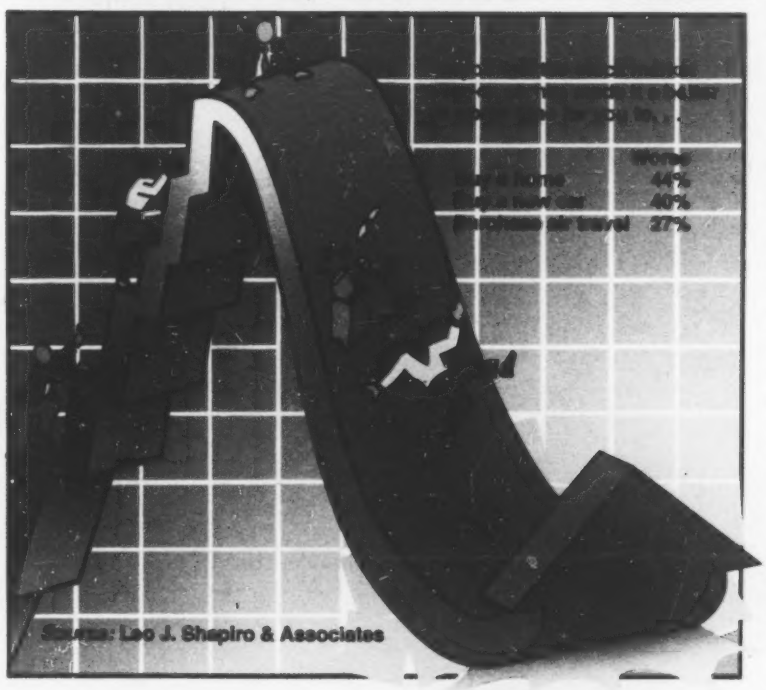

Graphic by Joe Taylor

•Car marketers grit their teeth—Page 8
•Jim Brady cruises Wall Street—Page 101
•Media companies eye opportunities—Page 102

Major buys put on hold, survey says

CHICAGO—A substantial percentage of U.S. citizens feel this is a bad time to make major purchases, according to a national survey done for ADVERTISING AGE by Leo J. Shapiro & Associates.

The survey by the consumer research company, taken on the two days following Wall Street's "Black Monday" market plunge, showed that 78% of adults felt the stock market woes made "no difference" to them.

But when they were asked specifically about spending, the 508-point plunge in the Dow Jones industrial average caused them to pause —particularly in terms of committing to such purchases as a new car or a house.

Smaller percentages of Americans expect the near-crash to affect purchases of consumables; about one in five indicate they will cut back on eating out, buying food for the home and buying clothes for the family *(see chart on Page 102)*.

The 78% of Americans who said last week's stock market near-crash made "no difference" to them divide into two major subgroups: 34% simply disassociate themselves from the market ("I have little or no stocks"), and 34% say it is too soon to tell ("Hasn't affected me yet").

When asked about the market activity's effect on investments, 42% said it made it a worse time to invest in stocks and 32% said it was

(Continued on Page 102)

Magazines exchange discount-rate volleys

By PATRICK REILLY

In what looks like a gasoline price war, *U.S. News & World Report* is joining *Newsweek* and *Time* in introducing corporate discount rates.

All of these plans have been launched in the past two months.

Richard C. Thompson, *U.S. News* publisher, said the plan, dubbed "Flex-Plan," would award space credits to advertisers who simply renew or increase their level of spending.

The plan set up by Washington-based *U.S. News* follows the announcement last week that *Newsweek* would launch "Match Plan," a virtual duplicate of "Max Plan," the discount plan that the Time Inc. magazine group, publisher of *Newsweek's* rival, *Time*, introduced last month (AA, Sept. 14).

Like the Time Inc. plan, *Newsweek* will give discounts to advertisers who spend more of their print budgets in the magazine. Time Inc. does that now for advertisers spending more for their budgets in any combination of *Fortune, Life, Money, People, Southern Accents, Southern Living, Sports Illustrated* or *Time*.

R. Thompson

It is a war, all right, if only of words, and publishers as well as advertising executives said it is not going to be pretty.

"This [the discount plans] could cause people who compete with Time Inc. to get down and dirty," Mr. Thompson said.

Many publishers believe New York-based Time Inc.'s plan only will lead to magazines stealing pages from one another rather than addressing the greater problem of magazines losing their share of advertising spending to television and promotion.

"We aren't doing this because it's good for the industry," said *Newsweek* Publisher Gerard Smith. "We do it reluctantly to defend our position in the marketplace."

Several agency executives said the discount plans are a ploy by publishers to avoid negotiating rates below those listed on their rate cards.

Discount plans "are ways of blunting conversation about negotiations," said Joel Kushins, senior VP-media director, Bozell, Jacobs, Kenyon & Eckhardt. "That's one of the objectives of the Time plan."

But the Flex, Match and Max plans are not all the same. The outline for *U.S. News'* Flex-Plan shows it varies significantly from

(Continued on Page 104)

Last Minute News

Upjohn, P&G to work together on baldness

KALAMAZOO, MICH.—Upjohn Co. here and Procter & Gamble Co., Cincinnati, have signed a long-term research and development agreement on topical minoxidil. Upjohn developed the prescription-only male-pattern baldness treatment; its Rogaine brand will be marketed in the U.S. by yearend. Both companies will be able to market products developed under the new agreement.

Pepsi uncorks Jackson spots

SOMERS, N.Y.—Pepsi-Cola Co. this week breaks the first phase of its much-publicized campaign featuring singer Michael Jackson, say sources close to Pepsi. Pepsi is expected to save its "blockbuster" four-part commercial for early next year (AA, Sept. 14). BBDO Worldwide, New York, handles.

Nabisco reorganizes; Chapman departs

EAST HANOVER, N.J.—Nabisco Brands has reorganized its Nabisco North America unit, folding Nabisco USA and Canada into Nabisco

(Continued on Page 8)

More ANA coverage: Pages 90, 92, 99

Highlights

'Mac Tonight' shines in AdWatch 4

Risk-taking can pay off even for the most secure market leader. McDonald's Corp. gambled when it began running nationally "Mac Tonight," a local-market TV campaign with a look and feel decidedly different from anything else it had on its network schedule. The campaign, created by Davis, Johnson, Mogul & Colombatto, also set an interesting precedent for McDonald's relationships with its local and national agencies: It marks the first time McDonald's had aired on network TV a mainstream commercial not created by its national agencies.

Playboy bouncing back 12

Not many magazines suffer average circulation losses of 674,000 copies in one year, as *Playboy* did in 1986. And even fewer publishers face the wrath of a U.S. Attorney General's commission on pornography that not so subtly pressures retailers to stop selling what is now its only magazine. But despite its losses, parent Playboy Enterprises says the worst is over in this, the Chinese Year of the Rabbit.

Scaring up candy sales 29

Halloween candy sales apparently are showing renewed spirit this year. Sales from August through October so far are up 7% to 10% from last year. Tampering scares have had only a slight impact on sales in recent years.

DDB Needham still at the drawing board 30

A little more than a year ago, DDB Needham Worldwide heralded itself as "the new creative force" in ads that showed a pencil blasting off like a rocket. The creation of DDB Needham was the centerpiece of the "Big Bang," the three-way merger that rocked the ad world. But DDB Needham still is trying to get its pencil off the launching pad.

Counter-revolution 36

Former Beatle Paul McCartney says you can count him out when it comes to Nike Inc.'s use of the Fab Four's "Revolution" in its ads. "I was not pleased with that [ad campaign], because the Beatles never did any of that," Mr. McCartney said in an interview in *Rolling Stone*. "We were offered Disney, Coca-Cola and the hugest deals in Christendom and beyond," he said. "And we never took them . . ."

IKEA furnishing expansion 58

Sweden's IKEA, already the world's biggest home furnishings retail chain, is continuing to expand rapidly in the East and West. The U.K. became the 19th country to join IKEA's international network in October. A third U.S. outlet will be unveiled soon, and plans are afoot to enter Budapest by 1990. Other outlets will follow in Poland and Yugoslavia. Even the Soviet Union isn't out of bounds.

Aiming for the Apple 59

In an excerpt from his new book "Odyssey—Pepsi to Apple," John Sculley, chairman-ceo of Apple Computer (and president of PepsiCo during the Coia Wars years), offers his perspective on the winner-take-all shootout for the Apple advertising business between Chiat/Day and BBDO.

INTERNATIONAL

Retailers cross international borders 76

The once purely parochial retail industry increasingly is becoming a world traveler as more stores cross international borders to reach new consumers. The question being asked is: Will the industry travel well? But at this moment, everyone from Tiffany & Co. to Toys "R" Us is on the road to Hong Kong, London, Sydney, heading for anyplace where shopping thrives.

OTHER NEWS

Holly Farms Foods, fighting to stay a leg up in the chicken market, last week switched its $25 million account to Long, Haymes & Carr from five-year incumbent Grey Advertising. Page 4.

When Walt Disney Co. assigned an estimated $50 million in broadcast media buying to Los Angeles-based Western International Media, no one was surprised. Page 45.

The American Association of Advertising Agencies' first survey on TV commercial production costs contains a pleasant surprise: Production costs dropped in 1986. Page 46.

The man most responsible for drafting Florida's ill-fated service tax believes other states considering a similar tax will learn from Florida's mistakes and exempt advertising. Page 55.

Sandoz Nutrition Corp. next month will break a campaign touting Classic Ovaltine with footage from the 1950s program "Captain Midnight." Page 74.

Dial Corp. is re-entering the liquid-soap business with a liquid version of its deodorant soap and an unusual marketing strategy: Liquid Dial contains an anti-bacterial ingredient that may help stop the spread of cold and flu-causing germs. Page 97.

SPECIAL REPORT

Direct Marketing—*The United States Postal Service has long dealt with rain, sleet and dark of night, but nobody warned it about catalogs. Carriers delivered 11.8 billion catalogs in 1986, up 18% over 1985, and there's no sign of a decline. As the mailbox becomes more crowded, catalogers are turning to specialogs, video catalogs, retail outlets, home shopping shows and newsstand and ad sales. Starts after Page 60.*

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Avon plans mass-retail expansions

By PAT SLOAN

NEW YORK—Avon Products' Beauty Group may expand its cosmetics sales to mass-market retailers by 1997.

Beauty Group President-CEO James Preston said the company's long-term goal is to "have three solid legs in cosmetics—direct sales, upscale retail and mass retail."

Avon has a "toe in the water" on the mass-retail side in the U.K., where it supplies private-label cosmetics to the Marks & Spencer chain, Mr. Preston said.

Also, Avon is not ruling out the eventual purchase of a mass-market cosmetics marketer, Mr. Preston said.

For now, Avon is concentrating on its direct-sales and upscale-retail businesses.

Avon began branching into department stores in 1986 through a 50-50 venture in Liz Claiborne Cosmetics with Liz Claiborne Inc.

PHILLIP CROSLAND

The company also has developed internally, through its own Parfums Phenix subsidiary, the Catherine Deneuve fragrance, called Deneuve. But lately it has been seeking additional department-store growth through acquisitions.

Last spring, Avon bought Giorgio Inc., Beverly Hills, Calif., for $165 million. Earlier this fall it paid $160 million for New York-based Parfums Stern.

The acquisitions underscore Avon's commitment to the worldwide upscale retail business; both are slated for expansion.

Giorgio President Michael Gould said his division will introduce a suncare line in March and possibly a second Giorgio women's fragrance next fall. Avon also is committed to expanding Giorgio overseas.

The international strength of Parfums Stern is one reason why Avon was attracted to it. Stern generates half its $100 million in revenues overseas, said Shearson Lehman Bros. analyst Andrew Shore.

The biggest news in color cosmetics for Avon is in its direct-sales business. In January, Avon will introduce Avon Color, an expanded line of cosmetics. The line will compete with Noxell Corp. and Maybelline Co. but will be sold through Avon sales reps.

The line replaces Avon's Color Coordinates, Color Cream and Ultra Wear lines.

Avon will continue to sell Pure Care cosmetics for sensitive skin with its Pure Care treatment line. It also will maintain Color Active, a summer line, under the Avon Color umbrella.

Avon Color has been in the works since 1985, when the company decided a 4-point market share loss from 1980 to '85 had to be turned around, said Phillip Crosland, group VP-marketing.

Avon's color cosmetics sales account for roughly 8% of the Avon division's $2.5 billion in sales, he said.

"But between 1980 and 1985 we clearly weren't growing as fast as the market was," Mr. Crosland said. "We stabilized the business in 1986 and 1987 when we had the first sales growth in recent years."

In a consumer study, Avon found that its cosmetics were not competitive in terms of formula or packaging. "Since color cosmetics is the principal way women equate excellence with a beauty company, it became apparent something had to be done," Mr. Crosland said.

Advertising for the first quarter of 1988 is estimated at more than $5 million for TV spots and multiple-page print ads from N W Ayer. Advertising also will be targeted to the ethnic market through Uniworld Group.

Mr. Crosland said that for 1988 much of Avon's total $23 million budget will be allocated to Avon Color.#

Bugle Boy goes to Rubin Postaer

CHATSWORTH, CALIF.—Bugle Boy Industries has hired Rubin Postaer & Associates, Los Angeles, for its $5 million account, without a review.

The apparel marketer previously used Metro Advertising on a project basis.

Bugle Boy will launch its first TV spots in mid-November.

West Coast News

California Business, Los Angeles, named Inbody-Brick & Chamis as its first agency. The agency will promote the monthly magazine to the advertising trade and will help build awareness for a glossy monthly the company will launch in November. *California Business* executives were unavailable for comment on reports the new publication will focus on Los Angeles area business.

California Egg Commission, Upland, named eight finalists, including incumbent Ketchum Advertising, San Francisco, for its $4 million account. Other finalists are Asher/Gould; DDB Needham Worldwide; Della Femina, Travisano & Partners; Foote, Cone & Belding; and Grey Advertising, all Los Angeles; and BBDO Worldwide and Sokol & Berman, San Francisco.#

McMan-in-Moon spots shine

By SCOTT HUME

Risk-taking can pay off even for the most secure market leader.

McDonald's Corp. in August gambled when it began running nationally a local-market TV campaign with a look and feel decidedly different from anything else it had on its network schedule.

While McDonald's basic national advertising repertoire alternates between emotional commercials that stress the bond between restaurant and customer and product-sell spots that pitch tossed salads or hot breakfast biscuits, the "Mac Tonight" commercials are something completely different.

High above a mock nighttime cityscape, a character with a crescent-moon head and sunglasses plays a piano perched on a two-story Big Mac sandwich. He's singing a customized version of Bobby Darin's 1959 hit "Mack the Knife" and promoting McDonald's as the choice for dinner, a daypart important to McDonald's but rarely addressed specifically in its advertising.

"Mac Tonight" also set an interesting precedent for McDonald's relationships with its local and national agencies. The commercials were created by Davis, Johnson, Mogul & Colombatto, agency for the McDonald's Operators Association of Southern California.

When "Mac Tonight" began its national run on Aug. 27, it was the first time McDonald's had aired on network TV a mainstream commercial not created by its national agencies, Leo Burnett USA and Burrell Advertising, both Chicago.

Adding these offbeat McMan-in-the-Moon spots to McDonald's national commercial pool had the potential to disrupt advertising for a company that long has prided itself on marketing continuity, or to be so incongruous that they worked.

They worked.

McDonald's had by far the best-recalled advertising in September, according to the monthly adWatch survey of advertising awareness.

When the 1,000 respondents were asked by phone to name the first advertising that came to mind from all they had encountered in the previous 30 days, McDonald's advertising was named by 7.4%. That was more than twice the percentage naming the No. 2 advertiser, Coca-Cola Co.

It also is the highest unaided recall percentage any advertiser has captured since the height of the hubbub over Coca-Cola's formula change in summer 1985.

"Mac" appears to have the sex appeal of a lunar Bruce Willis: 61% of those for whom McDonald's advertising came to mind first were females. But McDonald's showed strength in all demographic categories; its advertising was the best recalled by respondents in all age and income groups and in all geographic areas.

The impact the addition of "Mac Tonight" had on awareness of McDonald's advertising is especially impressive when you consider the already-strong numbers that those commercials improved.

McDonald's advertising consistently ranks among the top 10 in overall recall. More than doubling in one month the unaided recall of an advertiser with which consumers already are familiar can be more difficult than having a totally new and unexpected advertiser emerge out of the blue into the top 10.

"Mac Tonight's" impact also was evident when respondents were asked to name the first fast-food advertising that came to mind. Not surprisingly, McDonald's consistently has dominated this category, garnering an average 43.6% of first mentions during the previous eight monthly surveys in 1987.

In September, McDonald's was named first by 51.7% of the sample, 10.3 points above its 41.4% share in August. That meant share declines for its two closest competitors. Burger King Corp.'s share of first mentions fell 4.5 points to 12.4%; Wendy's International was down 2.5 points at 6.1%.

AdWatch is a joint project of Advertising Age and SRI Research Center, Lincoln, Neb. Advertising awareness is measured by asking a nationally projectable sample to name the advertising that first comes to mind from all heard, read or seen in the previous 30 days. Consumers are queried on the first ad they recall overall and then in a variety of product areas.

Those changes in advertising awareness deemed statistically significant by adWatch researchers are attributable to more than sample variation.

In other changes of note in the September survey results:

- IBM Corp. bounced back a bit in the **computer** category with a 3.8-point gain to 22.6% of first mentions. That followed two successive months of ad awareness decline.

Apple Computer, which has just begun a new TV campaign for its Macintosh line (AA, Oct. 12), continued to hold the No. 1 slot with 28.1% of first mentions, compared with 29.1% in August. Tandy Corp.'s Radio Shack division was third with 2.6%.

- Michelin reversed its loss in August with a 3.3-point gain in the **automotive tire** category in September's survey. That spurt gave Michelin Tire Corp. 18.8% of first mentions, second to Goodyear Tire & Rubber Co.'s 23.2% and ahead of Firestone Tire & Rubber Co.'s 7.1% share.#

For more information or data, contact SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

AdWatch survey of advertising awareness
Top 10 in September

One thousand people were asked: Of all the advertising you have seen, heard or read in the past 30 days, which advertisement first comes to mind? *Source:* SRI Research Center Inc., Lincoln, Neb.

Rank 9/87	8/87	Advertiser	Agency
1	3	McDonald's	Davis, Johnson, Mogul & Colombatto/Leo Burnett USA
2	2	Coca-Cola	McCann-Erickson
3	—	California Raisins	Foote, Cone & Belding
4	4	Budweiser/Bud Light	D'Arcy Masius Benton & Bowles/DDB Needham
5	6	Miller/Miller Lite	J. Walter Thompson USA/Backer Spielvogel Bates
6	1	Pepsi-Cola	BBDO Worldwide
7	5	Ford	J. Walter Thompson USA
8	8	Tide	Saatchi & Saatchi DFS Compton
9	—	Bartles & Jaymes	Hal Riney & Partners
10	—	Burger King	J. Walter Thompson USA

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Why is 70% of all our business *repeat business?*

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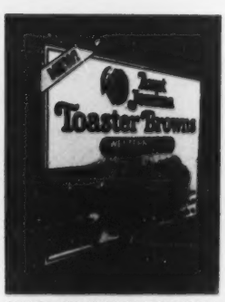

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U.S. NewsWatch

Marketing news from regional centers across the country

Taco Bueno warms up microwave packs

DALLAS—**Taco Bueno** has introduced Take 'n Make Bueno Packs in its 121 Colorado, Oklahoma and Texas fast-food restaurants. Microwaveable packages contain ingredients for a Mexican entree and utensils. Free standing inserts and in-store materials support. Puskar Gibbon Chapin handles the $3 million-to-$4 million account.

BLUE BELL, PA.—**US Healthcare Systems** plans to break the TV portion of a $10 million campaign, themed "US Healthcare. Best of health," in the East the week of Nov. 2. Levine, Huntley, Schimdt & Beaver, New York, handles.

AUSTIN, TEXAS—**Schlotzsky's**, a 200-unit sandwich shop chain in the South and West, begins a $1 million TV and radio campaign for Schlotzsky's Original sandwiches. TV spots, themed "We bake the bread that makes the sandwich," break today here and in Abilene; Las Vegas, Nev.; Lincoln, Neb.; and Tulsa, Okla., and will roll out to all markets. Ogilvy & Mather, Dallas, handles the $4 million account.

WATERBURY, VT.—**Ben & Jerry's Homemade** next month will introduce four new Super Deeluxe ice cream flavors in its 40 retail outlets in 10 Eastern, Midwestern and Southern states. Radio and

(Continued on Page 82)

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Inserts that work!

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Holly Farms drops Grey for LH&C

By JANET MEYERS

Holly Farms Foods, fighting to stay a leg up in the competitive chicken market, last week switched its $25 million account to Long, Haymes & Carr from five-year incumbent Grey Advertising.

Winston-Salem, N.C.-based LH&C, which handled Holly Farms from 1972 to 1981, evidently snared the business by pitching an aggressive regional campaign targeting competitor Perdue Farms, Salisbury, Md.

The switch was conducted without a review.

Perdue recently began a campaign for its chickens in Holly Farm's home turf. Wilkesboro, N.C.-based Holly Farms, the leading seller of branded chickens with a 20% share, leads Perdue's 5% share nationally.

Sources at New York-based Grey believe the agency change resulted from personal friendships between executives at Holly Farms and LH&C.

The sources said the move surprised them because LH&C's TV billings are only slightly larger than the Holly Farms account. The Holly Farms account boosts LH&C's billings to $83 million.

"We just needed a freshness in our approach," said John Creel, senior VP-marketing at Holly Farms. "Holly Farms felt it needed a local agency, and Long, Haymes & Carr has grown nicely in terms of size and capability."

Holly Farms will continue using Dinah Shore, its spokeswoman of the past four years, Mr. Creel said.#

Spot production costs drop 4%

4A's credits agency, client awareness

By JAMES P. FORKAN

NEW YORK—The American Association of Advertising Agencies' first survey on TV commercial production costs contains a pleasant surprise: Costs dropped in 1986.

The Four A's "Survey of Television Production Costs 1984-1986" found the average commercial cost $113,940 in 1986, down 4% from 1985 (AA, Oct. 19). That was in sharp contrast to 1985, when the average $117,962 cost jumped 13.6% from 1984.

The averages cover "all lengths" combined, though the 30-second spot dominated, the Four A's noted.

The three-year data are based on responses from 37 of the 100 largest member agencies. Those 37—including eight of the top 10 agencies—represent $5 billion in billings and about 85% of the dollars spent on commercial production, the Four A's said.

Last fall, the Association of National Advertisers' 1984-85 study reported the average TV spot had increased 29% to $125,000 based on replies from 17 major advertisers, up from 10 used in an earlier, 1979-84 trend report.

At that time, Dick Hall, exec VP at the Griner/Cuesta & Associates production shop, who was president of the Association of Independent Commercial Producers, questioned the ANA's results.

By focusing on about 100 of the "30,000, 40,000 or 50,000 commercials produced in a year," he said, the ANA could not deliver meaningful results. "I wonder how many of their own heavyweights would work with such a sample."

The ANA's previous studies were based on small samples of clients and covered relatively few TV spots, said Danielle Korn, a member of a Four A's broadcast production subcommittee and VP-television and print business affairs at Saatchi & Saatchi DFS Compton.

By contrast, she said, the Four A's project is based on more than 6,000 commercials shot from 1984 through 1986, including 2,771 during 1986 alone.

The project reported music costs fell 8% on average to $6,217 in 1986. Talent—excluding celebrity endorsers—dropped 6% to $4,303, and gross production company costs—including celebrities—slipped 4% to $113,940.

Comparing 1985 with '84, the survey showed that gross production costs had jumped 14% and music by 13%, as post-production/editing rose 9% and talent 5%.

The report also examined how costs rose or declined in various major product categories.

"It is more important for an auto advertiser to know what other auto advertisers are spending" than to try to compare its commercial costs to an industrywide average, said Jean-Claude Kaufman, chairman of the Four A's committee on broadcast production and senior VP-director of broadcast production, Lord, Geller, Federico, Einstein.

Only two categories broken out by the Four A's showed higher costs in 1986, with beauty/fashion/cosmetics up 10% to $138,831 for the average commercial and package goods up 6% to $105,766. The beauty category's costs gained 11% in 1985, while package goods rose by 14%.

The appliance category dipped 2% to $153,319, still the highest average commercial cost in '86, after having soared 19% in 1985.

Costs for the toys/recreation group fell 22% to $70,219; its 1985 cost had skyrocketed by 84% from 1984 levels, the Four A's found.

The automotive category's costs decreased 20% in 1986 to $116,495, compared with a 1% increase from 1984 to 1985.

Consumer services/travel/corporate image group dropped 7% to $132,615, compared with a 13% increase for 1985.

Fast food/beer/soft drinks fell 3% to $130,769, compared with a 12% hike for 1985.

The reasons behind the overall cost decline, besides the broader-based research sample, included emphasis by agencies and clients on controlling production costs, said George Bragg, vice chairman of the Four A's committee and senior VP-director, broadcast production, Lintas:New York.

The organization's own January 1986 seminar on the topic may have been a key contributor, he said.

"The fruits are finally beginning to come to bear" after years of discussion and debate, Mr. Bragg said.

Saying that agencies felt "hurt" by the years of negative media about soaring commercial production costs, Mr. Kaufman said this study—which he likened to "taking the temperature once a year"—shows that agencies have worked to keep production costs in check.

Other reasons for reduced costs ranged from shooting more spots in Canada, Florida and Minnesota, where they are less expensive, to moving toward "more packaging" (producing several spots at once), other Four A's officials said.

Thr Four A's will get cost updates quarterly for the 1987 survey, Mr. Bragg said. It also plans to examine how much production is done in Canada and other "out-of-town" sites.

Ms. Korn said there may be more data compiled that make regional comparisons between production sites in the East, Midwest and West.#

Commercial production costs

Category	Year	No. of commercials	Avg cost	% of increase/ decrease
Appliances	1986	38	$153,319	– 2%
	1985	59	156,958	+19%
	1984	33	131,533	
Automotive	1986	182	116,495	–20%
	1985	122	146,265	+ 1%
	1984	94	145,299	
Beauty/fashion/ cosmetics	1986	160	138,831	+10%
	1985	131	126,049	+11%
	1984	103	113,708	
Consumer services/ travel/corporate image	1986	362	132,615	–7%
	1985	266	142,316	+13%
	1984	198	125,983	
Fast food/beer/ soft drinks	1986	517	130,769	– 3%
	1985	450	134,531	+12%
	1984	307	120,584	
Package goods	1986	1,151	105,766	+ 6%
	1985	818	99,890	+14%
	1984	674	87,658	
Toys/recreation	1986	110	70,219	–22%
	1985	44	90,376	+84%
	1984	72	49,155	
Industry-wide averages	1986	2,771	113,940	– 4%
	1985	2,084	117,962	+14%
	1984	1,627	103,682	

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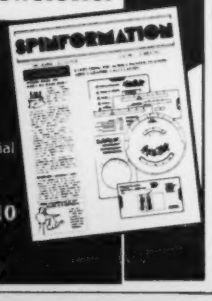

"TRIPS. This is a catalogue, right?"
"No, it's a real magazine."
"But Banana Republic is a clothing store."
"The guy who runs it started as a writer. He's always wanted to put out a magazine."
"That's nice for him but what's he know about magazines?"
"That's what they used to ask him about clothes."

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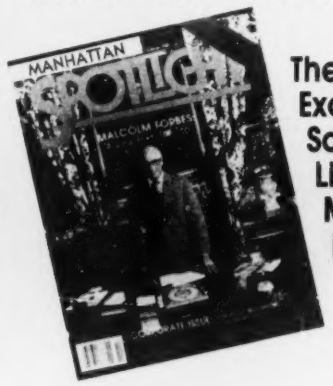

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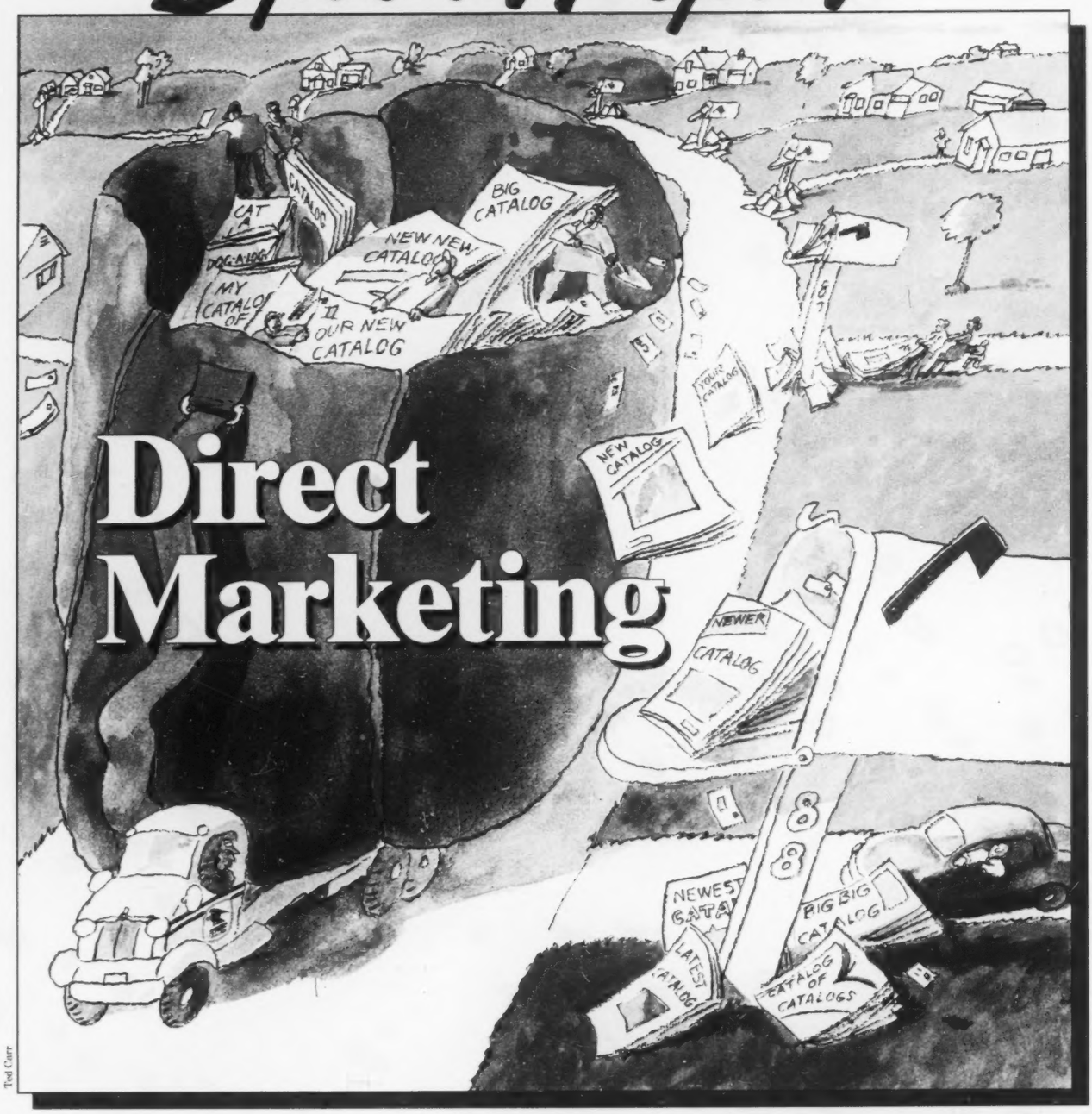


Ted Carr

Cacophony of catalogs fill all niches

By Janice Steinberg

Pity the poor postman.

In 1986 the U.S. Postal Service shuffled 11.8 billion copies of 8,500 different catalogs through the mails, according to New York-based Direct Marketing Association. These figures can be compared with 1981's 5.3 billion copies of 4,000 different catalogs. Roughly translated, every American will receive almost 50 catalogs this year.

In an informal DMA survey, 93% of catalogers polled were mailing more catalogs this September than last; last September's figure was 67%. Only 7% said they were sending out fewer catalogs than last year. In planning for next year, 78% say they will mail more catalogs in spring 1988 compared with 68% last year.

From standbys like apparel and housewares to specialty items like lingerie for petite women to business products such as computer software, almost anything that can be sold is offered in a catalog—or more likely in three dozen catalogs.

As the market has become more crowded, catalogers are employing strategies to attract new customers while maintaining their existing buyer bases. Some analysts say catalog marketing has reached maturity and faces the problem that confronts any business moving out of its infancy—how to compete in a less expansive universe of buyers.

"There are limits to the capacity of consumers to spend through mail-order means, and it's become increasingly difficult and costly to replenish buyers who become inactive," says Arnold Fishman, president of Marketing Logistics, a Lincolnshire, Ill.-based mail-order consultancy. "One can no longer expect to go

(Continued on Page S-2)

Janice Steinberg is a frequent contributor to Special Report.

Sales via mail post new records

Mail-order sales ($ billions)

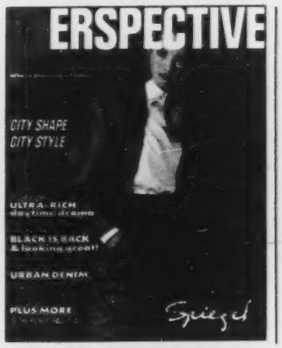
	Consumer	Business to business
1987	$33.6	$43.6
1986	29.4	37.6
1985	27.0	32.4
1984	24.8	27.5
1983	22.5	23.1

Source: Marke/Sroge Communications

Generalists divvy up the segments

Once upon an uncomplicated time, there was the Sears catalog and the Spiegel catalog and the J.C. Penney catalog—one catalog from each general merchandiser, published once or twice a year, containing all of the company's product offerings.

Not any more. The general merchandisers now send waves of "specialogs" into the mails. Even small, already specialized catalogs are creating spinoffs, such as Williams-Sonoma's Hold Everything, a collection of string, baskets and products that somehow hold items.



Perspective is one of the 68 Spiegel Inc. specialogs put out this year.

"There has definitely been an increase in catalogs focusing on very special types of products, such as catalogs devoted to children's clothing or catalogs devoted to larger women's sizes," says Karen Generelli, manager-media relations, New York-based Direct Marketing Association. She attributes the trend to mail order's more sophisticated segmentation and targeting techniques.

As specialogs are catching on, general merchandise books have been stagnating, says Arnold Fishman, president of Marketing Logistics, a Lincolnshire, Ill.-based mail-order consultancy. "Alden's went out of business five years ago. Montgomery Ward went out of the catalog business one or two years ago.

"Spiegel has demonstrated outstanding growth in the general merchandising area, but at the expense of a very considerable investment," he says. "They completed the heroic task of completely restructuring their business, up-

(Continued on Page S-4)

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Catalogs

(Continued from Page S-1)

into the market, start up a new program and have built-in advantages over retail competition."

Mr. Fishman says that 1986 catalog revenues grew at 10% compared with a retail growth rate of 5.2%. However, the catalog growth rate is down from the 17.5% experienced three or four years ago. Mr. Fishman says catalog sales growth is approaching parity with retail.

"Catalogers have gone about as far as they can go, especially with the traditional methods of marketing and merchandising," says Don Schultz, professor of advertising at Evanston, Ill.-based Northwestern University's Medill School of Journalism, in a speech given to catalog marketers last May. "In fact, catalogers who stay with the basics may well disappear in the 1990s."

Catalog companies have found another outlet than the mails by selling them in book stores.

Others say that catalog marketing is far from tottering. The recent DMA survey showed that 78% of those polled report profit increases compared with 77% last year; 88% report stronger response rates compared with last year's 81%.

"Only 5% of retail sales are through catalogs," says Jay Walker, chairman of Catalog Media Corp., a Ridgefield, Conn.-based company that sells catalog ad space and distributes catalogs to book stores.

"Now it's hard for you to tell me that a channel is mature at 5% penetration, when the underlying demographics of the population at large favor the channel," he says. "More working women, less time, more affluence, more credit cards, 800 numbers—all of these things favor the catalog industry as a major growth trend."

The reason more catalogs are being mailed is that people are saying that's the way they want to buy, says Maxwell Sroge, president, Marke/Sroge Communications, a Chicago-based catalog development consultancy. "People are increasingly turning to catalog buying as a preferential way of shopping." He projects catalog sales

(Continued on Page S-4)

Volume paces profitability

Catalog leaders address state of the business

		Sept. '86	Feb. '87	Sept. '87
Number of catalogs mailed:	Up	67%	66%	93%
	Level	13	17	0
	Down	20	17	7
Response rates:	Up	58	52	42
	Level	23	38	46
	Down	19	10	12
Unit sales per order:	Up	71	38	52
	Level	29	38	41
	Down	0	24	7
Profitability:	Up	77	76	78
	Level	19	14	15
	Down	3	10	7
Next year's outlook:	Optimistic	100	86	88
	Pessimistic	0	10	12

Source: Direct Marketing Association, which asked catalog leaders to respond to above questions. Percentages indicate number of total sample responding to each question.

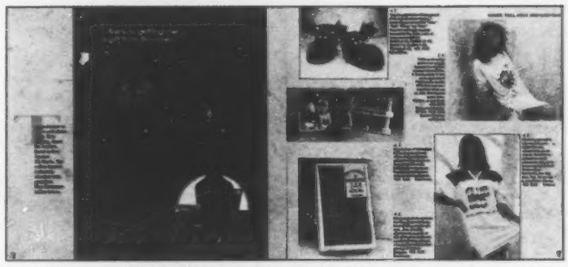
Catalogs

(Continued from Page S-2)

will grow 12% to 15% this year.

Charles Tannen, publisher and editor-in-chief of Stamford, Conn.-based *Catalog Age*, says market maturity or not, "The guys who are going to shine and be the growing companies are the guys who stand out through good service and bright marketing and merchandise selection. You could almost point to those catalogs now, and say, 'Those are the catalogs that are going to succeed no matter what.' You could point to Lands' End or Inmac and say, 'Those are brilliant marketers.' "

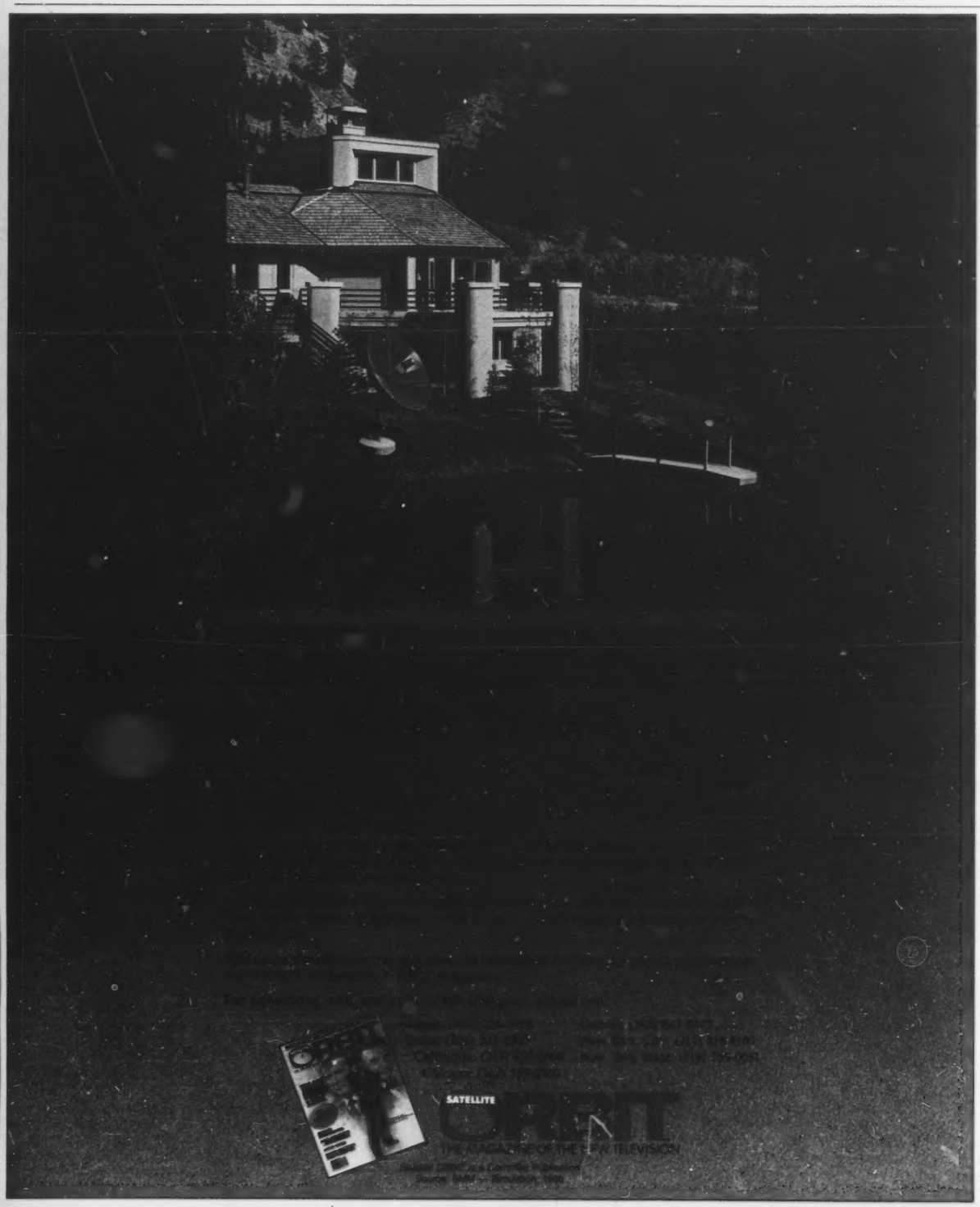
While catalog sales may be rising, as growth moderates some of the largest companies are branching out from the pages of catalogs into retail outlets, TV home shopping and electronic kiosks. *(See related stories.)*



Ads will generate $10 million in 1987 for 40 catalogers—including this Tia Maria ad in Bloomingdale's catalog—up from $2.5 million last year.

And while the growth of TV home shopping is cutting into some catalog business, says Mr. Fishman, it may expand the universe of potential mail-order buyers. "They'll come in through a satisfactory experience with TV home shopping and eventually they'll become used to buying through catalogs."

In addition to branching into non-catalog outlets, many catalogers are augmenting traditional list-based prospecting for



Generalists

(Continued from Page S-2)

scaling and upgrading it, and almost entirely changing their customer base, as well as their product mix."

Although Oak Brook, Ill.-based Spiegel Inc., executives were unable to comment because of a quiet period preceding a public offering, the 1987 catalog schedule lists 68 catalogs, including specialogs devoted to petite women, children, stationery, gifts, cruise and resort wear, shoes, intimate apparel, men, beds and bedding, ladies' leather, men's leather, and men's sweats.

J.C. Penney Co. has a shorter list of specialogs. But following the company's move from New York to Dallas early next year, "in the latter part of 1988 we'll begin aggressively pursuing special markets," says Chris O'Connell, manager-special market catalogs. "Special markets are really where it's at, as far as the future is concerned."

Currently Penney offers 765 pages annually of specialized catalogs in the areas of petite women, extra size women, tall women, big and tall men, nurses' uniforms, men's work clothes, maternity wear, bridal wear and non-apparel infant products.

Although Penney's first specialog came out in 1975, the company only recently began to exploit specialized markets' potential, says Mr. O'Connell. In the first and second quarters, 1987, revenue growth generated by specialogs exceeded other Penney catalog revenue growth by about 20%. "The estimated sales increase for special market catalogs in 1987 is 29%," he says.

Although Sears, Roebuck & Co. released Changes Volume II, a contemporary women's sportswear specialog in August, the Chicago-based company primarily is taking a different approach in augmenting its big book. Rather than creat-

new customers by offering their catalogs in book stores. Catalog Media Corp. joined forces with New York-based Curtis Circulation Co. to place 200 different catalogs on 76,000 newsstand magazine racks, beginning Sept. 15 (AA, Aug. 31).

The move to newsstands followed a six-month test in which 40 different catalogs were marketed in 1,000 Waldenbooks stores. Sales averaged 100,000 per month and the response rate was 5% to 14%—"seven times what most catalogs get, prospecting by mail," says Mr. Walker.

"This is a very attractive way to reach beyond the traditional renting of mailing lists, which is an incestuous zero-sum game," he says. "Here are people who browse in the catalog, pick it up, walk to the cash register, reach into their pockets, and buy it. It doesn't get too much more self-selective than that."

Mr. Walker also sells adver-

(Continued on Page S-6)

ing specialogs, this year Sears split its catalog into two separate books, one devoted to home fashion and apparel and the other offering hard goods.

Sears had been putting out a single catalog twice a year. While the home fashion and apparel catalog still comes out twice, only one hard-goods book is released annually, sent with the spring apparel catalog to contain mailing costs. The shift allowed Sears to reduce the number of pages printed annually from 2,686 to 2,607, expand apparel and home fashion offerings and improve catalog quality, says a spokeswoman.

General merchandisers aren't the only ones creating specialized catalogs. Williams-Sonoma, Brookstone and L.L. Bean also have developed spinoffs.

"It was a natural progression, saying here's a type of merchandise that makes a lot of sense, let's now spin it off and do a catalog," says Charles Tannen, publisher and editor-in-chief of Stamford, Conn.-based *Catalog Age*. "It's less risky [than starting from scratch] because you know the audience . . . It's a smart way to keep moving toward new ideas, pinpointing new audiences."

Catalogers can get into trouble with spinoffs, however, says Steve Millard, chairman of Millard Group, a Peterborough, N.H.-based industry consultancy, and a former Brookstone executive. Spurred by the success of Brookstone's Hard to Find Tools catalog, the Peterborough-based company spun off a successful gift catalog aimed at the wives of the mostly male customers. Next came a gourmet food catalog, which was a disaster.

"You could go just so far," says Mr. Millard. "You've got the tools and then you had the gifts, and then you kind of lose believability. Here we are, known for tools, and we're selling gourmet pates?"

—*Janice Steinberg*

First in a series of discussions in the M/A/R/C Symposium.

A Candid Discussion About Database Marketing.

Q: What is the difference between database marketing and traditional direct marketing?

A: Database marketing is the next evolution of direct marketing. The primary difference is the ability to communicate more precisely with different market segments and incorporate the consumer response back into the database. Once the response information becomes part of the file it can be used for segmentation purposes in creating the next direct marketing program. The advances in the data processing industry over the last 10 years have made storing of large amounts of information about prospects and customers much more affordable. The real magic is in the analysis of the data and its application to a particular marketing problem.

Q: I currently employ targeting tactics in my media buys. How will this be different in a database marketing environment?

A: It'll give you the ability to communicate more precisely with identified market segments. Analysis of promotion responders can yield strategic marketing direction.

So, the collective intelligence of the database improves with use. By appending the database with additional information from previous promotions or database overlays, targeting can be refined to much higher levels. Each new promotion or database overlay added to your consumer database provides more marketing variables to segment market niches that have a higher propensity to respond to your offer.

Q: What kind of marketing applications should be considered for database marketing?

A: Categories which have a high degree of switching, are mature, or have well-defined niches are excellent candidates. Examples of programs which work well in a database strategy are competitive and continuity promotion programs, frequent traveler and shopper programs, sales lead generation and business-to-business direct marketing programs.

Q: If you had to describe the biggest difference between M/A/R/C Database Marketing and others, what would it be?

A: There is a big difference between just collecting information and knowing what to do with it. The most important difference is our ability to leverage over 25 years of marketing and consumer research experience to design, develop and implement marketing programs that best suit your needs. It becomes a matter of knowing what to ask, and then knowing what to do with the answers. Database marketing allows you to communicate with each customer on an individual basis and create a dialogue that will continually enrich your market intelligence. As an example, we very often uncover information that points to needed changes in the marketing mix. So, the results of the interpretation of the information can optimize strategic marketing programs. M/A/R/C can also identify cross-selling opportunities, either for existing products and services or for new introductions. And, you can use it as a tool to outmaneuver your competition's marketing strategy in as many or as few markets as you choose. With M/A/R/C Database Marketing, pre-emptive planning will become the norm because you will have quantified knowledge of the category consumer base.

Q: Isn't database marketing going to make an already expensive advertising vehicle even more so?

A: The true benefit of database marketing is that it optimizes each marketing program that you run. As mass media costs rise and response to these programs gets harder to quantify, the need for measurable marketing solutions increases. The ability to fine tune your targeting, so you only reach those prospects which have a high probability of responding, can dramatically reduce your costs while improving your volume. M/A/R/C can provide a turnkey test of database marketing with your brand or service for less than $100,000.

Q: I know M/A/R/C has a great reputation in custom research, but I imagine you use a service bureau for database management. Don't you?

A: No. Most direct marketing agencies do use a service bureau. M/A/R/C is unique. Information has long been our business and our state-of-the-art computer capabilities enable us to do everything in-house. We think it is the only way to offer clients a formula for success where one plus one equals four.

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Q: OK. You've got my attention. How do I find out more about M/A/R/C Database Marketing?

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Catalogs

(Continued from Page S-5)

tising space in catalogs. He expects the 40 catalogs currently carrying advertising to sell $10 million worth of space this year, up from $2.5 million in 1986. Catalog ad sales will be a $100 million business within three years, he predicts.

Ad dollars also are going in the other direction, as catalog marketers are building name recognition and seeking new customers via ads. Last year Dodgeville, Wis.-based Lands' End spent $3 million in print, says Elsa Gustafson, project manager-public relations. "We were trying to tell people about the whole experience of shopping by catalog and how satisfying it can be."

More attention also is being paid to catalog marketing strategies, including product selection and presentation, individualized books and sales catalogs.

"Uniqueness of merchandise is probably the single most important strategy that we've identified," says Richard Grunsten, president, GSP Marketing Services, a Chicago-based catalog specialist.

Mr. Grunsten also recommends testing a product before it is marketed in a catalog. He runs tests in which people view photographs of potential products with brief, catalog-like descriptions and rate them in terms of whether they'd be likely to buy the product, whether the price is right and whether the product is appropriate for the specific catalog.

Gift wrap/stationery marketer Current Inc. is individualizing portions of its 1987 Christmas catalog, says Barry Nolan, president-ceo of the Colorado Springs, Colo.-based company. "The binding capacity exists to literally custom-bind a catalog. You may have a base number of pages in your catalog and then you'll merchandise four or eight-page sections [of certain products] that the binding machine, triggered by a computer, will drop into a catalog destined for a certain individual who, because of their past history, appears to be a good prospect for that certain range of products."

Catalogers crank up the volume

	Number mailed (billions)	% growth
1986	11.8	18.0%
1985	10.0	17.6
1984	8.5	26.9
1983	6.7	13.6
1982	5.9	11.3
1981	5.3	12.8
1980	4.7	-

Source: Direct Marketing Association

For example, designs featuring cats habitually do well with about 15% of their customers. "Maybe we can spend only 15% of the money and send four pages of 30 cat-design products to 15% of our house list, but still get 80% or 90% of the sales," Mr. Nolan says.

Another catalog trend is cutting merchandise prices. "Four or five years ago, nobody talked about [discount] sales in mail-order catalogs because they couldn't afford it," says Steve Millard, chairman of Millard Group, a Peterborough, N.H.-based industry consultancy. "Then all of a sudden, five years ago, a few little sales supplements crept into catalogs. And other people who didn't offer sales were incensed."

No matter how good the catalog looks and how well it is priced and targeted, customer service currently is the make-or-break issue, some analysts say.

In an August study, Steven Ashley, VP-senior investment analyst at Milwaukee-based Blunt, Ellis & Loewi, singles out Lands' End as "the premier catalog retailer in America today."

Among Lands' End advantages, he cites a computerized system that allowed the company to fill 99.5% of its orders within 24 hours.

"Customer service is what it's all about," he says. "How fast merchandise is delivered and how well an order is processed are going to be absolutely key to those who are going to be successful vs. those who aren't." AA

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Sportswear, accessories for computer hot

Although total catalog growth rate is humming along at an estimated 10% annually, some categories obviously are buzzing louder than others. According to Arnold Fishman, president of Marketing Logistics, a Lincolnshire, Ill.-based consultancy, certain categories are experiencing 20% to 30% growth.

In general, business-to-business catalogs are performing significantly better than consumer books. Maxwell Sroge, president of Marke/Sroge Communications, a Chicago-based catalog-development company, says the greatest momentum is in computer supplies and accessories. "Every major manufacturer, with perhaps the exception of Apple, has a sophisticated direct-marketing operation."

Below Messrs. Fishman and Sroge pick what's hot and what's not in mail order.

Winners: sportswear and women's apparel; office supplies and equipment, particularly computer hardware and software; video and films; physical fitness equipment; aids for the handicapped; and products for children, including educational toys.

Losers: footwear; crafts; gardening and horticulture products; collectibles, and general merchandising, with the exception of Spiegel Inc.

—*Janice Steinberg*

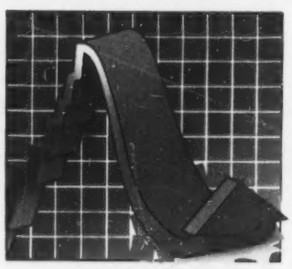
BLACK MONDAY

Unstable Dow may prompt media sell-offs

By VERNE GAY

NEW YORK—Wall Street's wild ride could have a severe effect on the media industry.

The primary impact might be in advertising sales. But if the stock market's intense fluctuation foreshadows a recession, a flurry of TV station or newspaper acquisitions might result.



Both CBS and NBC have said they are especially anxious to buy a TV station. Properties have been scarce, however, and CBS President-CEO Laurence Tisch has refused to pay top prices for stations.

Top TV stations and newspapers have sold recently for as much as 20 times cash flow.

"Up until the last couple of days, companies with low-quality credit could raise money easily," said Ronald Doerfler, senior VP-chief financial officer, Capital Cities/ABC. "Now they won't be able to get money as cheaply. It could create an opportunity [for well-endowed] buyers, but it's premature to make a judgment."

"What's happened to the stock market will only make the acquisition process more selective," said Will Whetzel, VP at Kidder, Peabody & Co.'s Media and Entertainment Group.

Radio station sales boomed last year, but had slowed before last week's so-called "Black Monday."

"I think there might be a softening in prices the next two to three months until we see what's going on. We are in totally new territory," said Jim Duncan, an industry analyst with Duncan's American Radio, Kalamazoo, Mich.

Two major media transactions crumbled last week. United Artists Communications and United Cable Television called off a merger, partly because their stocks collapsed. MTM Entertainment postponed a public stock offering.

Lorimar Telepictures Corp. proceeded with a plan to repurchase up to 15% of its outstanding common shares.

Agreements to sell Lorimar's advertising subsidiary, Bozell, Jacobs, Kenyon & Eckhardt, and three broadcast properties also were unaffected.

In print media, Diamandis Communications Inc. still could sell its *Modern Bride* within a week. "Our bidders are not scared by the market, and they've shown no indication of backing off," said Arthur Sukel, DCI senior VP-chief financial officer.

The market's volatility could affect ad spending almost immediately. Advertisers last week began negotiations with the Big 3 TV networks on first-quarter scatter commercial inventory. Before last Monday high prices had been anticipated.

"What [the market volatility] will do is dry up any [network TV] scatter money that would have come in late December," said Peter Chrisanthopoulos, president-chief operating officer at RJR Nabisco Broadcast.#

Patrick Reilly in New York and Wayne Walley in Los Angeles contributed to this story.

Tables turn on Wall St.

By JUDITH GRAHAM

Is it over?

Many economists believe the stock market turmoil and its impact on consumer confidence have only just begun.

As a result, analysts are reviewing their "buy" and "sell" recommendations for agencies, media companies and advertisers in light of the declines in those industries.

Also, many companies, including Interpublic Group of Cos., returned to the market after the downturn and bought back shares, showing confidence that the share prices of those companies would rebound.

By the time the market closed on Friday, Oct. 23, the Dow Jones industrial average was down only 141.14 points for the week, after a record 508 slide on Monday, Oct. 19.

If the market does not stabilize within the next several weeks, the consequences for consumer spending will be "disastrous," said Joel Stern, managing partner of Stern, Stewart & Co., a New York financial consultancy.

The stock market's unpredictable gyrations indicate "the economy has a lot of strength but it does not have a lot of people who are confident in it," said Steven R. Malin, senior economist at the Conference Board.

Mr. Malin predicted that scared consumers will spend their money more cautiously and this will contribute to a mild recession starting in the first quarter of 1988.

Meanwhile, stock analysts frankly admitted to confusion about the market's short-term course.

"It will continue to fluctuate," said Fred Anschel, media analyst at Dean Witter Reynolds.

Compared with Aug. 25 share prices, when the Dow Jones industrial average peaked, agency groups, media companies and advertisers took some severe hits on "Black Monday." They had only partially recovered by week's end.

Among the agency groups, Saatchi & Saatchi Co. and Interpublic were hit hardest. Agency income is sensitive to economic trends, and investors are concerned about the potential impact of a recession, said Jim Dougherty, VP, County Securities.

Mr. Dougherty and other analysts have not yet changed their "buy, sell or hold" recommendations for specific agencies, but several analysts said they were reviewing recommendations.

Hit even harder than agencies were media stocks, with Turner Broadcasting System, Dow Jones & Co., and Gannett Co. sustaining big declines.

"My gut feeling is that a number of these stocks represent good long-term buying opportunities. I don't think they can go much lower," Mr. Anschel said.

The biggest losers

ADVERTISERS

Company	Aug. 25	Oct. 19	% chg	Oct. 23
Wendy's	11.38	5.75	−49.47	6.75
Noxell	32.50	17.00	−47.69	21.00
Sears	58.50	30.75	−47.44	36.13
K mart	47.00	25.00	−46.81	27.50
Sterling Drug	66.38	35.75	−46.14	49.50
General Motors	91.88	50.00	−45.58	57.50
Hasbro	23.13	12.75	−44.88	13.38
Amer. Express	38.88	21.50	−44.70	26.13
Gillette	42.13	24.00	−43.03	27.50
Chrysler	47.75	27.25	−42.93	26.50

AGENCIES

Company	Aug. 25	Oct. 19	% chg	Oct. 23
FCB	66.75	47.63	−28.64	46.75
Grey	134.00	115.00	−14.18	90.00
Interpublic	43.00	28.50	−33.72	22.75
Lorimar	16.38	8.25	−49.63	6.75
Mickelberry	6.25	5.75	− 8.00	3.63
Ogilvy	39.50	29.25	−25.95	24.13
Omnicom	27.38	21.75	−20.56	19.00
Saatchi	33.13	22.25	−32.84	19.00

MEDIA

Company	Aug. 25	Oct. 19	% chg	Oct. 23
Turner Broad.	23.75	12.00	−49.47	11.88
Dow Jones	53.50	28.12	−47.44	33.00
Westinghouse	72.50	40.00	−44.83	48.75
Amer. Express	38.88	21.50	−44.70	26.13
Warner Comm.	36.25	21.00	−42.07	25.25
Chris-Craft	26.50	15.50	−41.51	14.63
Gannett	54.63	32.75	−40.05	36.00
Tele-comm.	29.63	18.37	−38.00	20.25
N.Y. Times	45.38	29.25	−35.54	31.50
Times Mirror	103.84	68.00	−34.54	74.13

In some cases, price drops reflect the withdrawal of corporate takeover threats as raiders retired to the sidelines.

Auto companies' stocks were battered by fears of a recession. Chrysler Corp. and Ford Motor Co. used the occasion to repurchase outstanding stock, as did many other companies, including Shearson Lehman Bros. and Merrill Lynch & Co.

Buybacks bolster stock prices by reducing the number of outstanding shares and reflect companies' expectations that their stock prices will bounce back. They also tend to make takeovers more difficult.

Major retailers also suffered from anxiety about a possible recession.

If the economy slows down considerably, K mart Corp. probably would lose share to Wal-Mart Stores, one analyst said.

"The outlook for retail sales has definitely deteriorated," said Fred Wintzer, retail analyst at Alex. Brown & Sons, Baltimore.#

How consumers reacted to stock market dive

Has the stock market near-crash made things better or worse for you and your family?

Worse	Better	No difference
19%	3%	78%

Do you feel that the stock market near-crash has made it a better or worse time for you to...

	Worse	Better	No difference
Buy a home	44%	14%	42%
Buy a new car	40	13	48
Purchase air travel	27	10	63

Do you feel you will be cutting back or increasing your spending for...

	Cutting back	Increasing	No difference
Eating out	22%	4%	74%
Food at home	20	7	73
Clothes for family	20	5	76
Gasoline and driving your car	12	6	83

Source: National telephone survey of 702 adults after the stock markets closed Oct. 20 and 21, by Leo J. Shapiro & Associates, Chicago.

Shapiro

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a better time.

About one in four (27%) felt it was a worse time to invest in real estate, while 36% felt it was a better time.

While the stock market dominated the news, Americans kept their perspective. When asked which events of the past week "really rocked the nation," the stock market was mentioned by 73%, the U.S. action against Iran by 57% and Jessica McClure's rescue from a well in Texas by 20%.

The telephone survey of 702 men and women was conducted after the stock market closed on Tuesday, Oct. 20, and Wednesday, Oct. 21. A balanced sample was interviewed each evening to pick up changes in consumer reactions as events developed.

But Shapiro said that, despite a sharp increase in stock prices on Oct. 21, there were no substantial differences between results of the two evenings' surveys.

Other consumer researchers are finding that, despite the market's partial recovery, consumers are going to remember the "Black Monday" plunge for a long time.

"This is the first time anything bad has happened to them, and they never forget the first time," said Faith Popcorn, chairman of BrainReserve, a New York marketing consultancy.

The market's crash will join with the "cocooning" trend to make consumers more homebound, she said. Cocooning is the trend of consumers staying at home and shutting themselves off from the world.

Even people who are not in the stock market and have not lost money will change their spending habits, Ms. Popcorn said. Smart advertisers should take this opportunity to quickly "talk to the consumer" and make clear their political positions and environmental practices.

The market plunge also fits in with a new trend that Ms. Popcorn called "cashing in."

With the increasing willingness of people to trade money and success for quality of life, the market's volatility is further discrediting "workaholism."

Paul Getman, a financial analyst with Wharton Econometics, a Philadelphia-based economic forecasting company, said there is no question consumer spending next year will be "below the level it would have been" if the market had not tumbled.

"Our economic models show that for every $1 change in stock price, it produces a 5¢ change in consumer spending over the subsequent year," he said. "The market, which dropped half-a-billion dollars on Monday, could cause a $25 billion drop in consumer spending next year."

Mr. Getman said the crash occurred at the worst possible moment, right before the yearend holiday buying rush.

"If this happened in January, consumers may not have cared quite so much because they already would have spent everything they had," Mr. Getman said. "Retailers are going to feel the pinch this year."

He said it is not known yet how much damage has been done to consumer confidence, but that "yuppies" finally may be getting a dose of reality. "They're going to find out what it's like to live on 50% of the national median income, not five times that," Mr. Getman said.

However, another researcher said the impact on consumer confidence will be short-term. Barry Bosworth, an economist with the Brookings Institute, Washington, said consumer spending may be cut by about $15 billion, but predictions of a screeching halt to the economy's growth are an overreaction to the market plunge.

Instead, Mr. Bosworth predicted there may be some negative effects on consumer and company spending for only a few months, before the economy returns to a more realistic, solid growth rate and the stock market to 1985 prices.

A stock market fall can be a sign of an impending recession, Mr. Bosworth said, but in this case the plunge "was a panic" and as such doesn't serve as a reliable indicator of a downturn.#

Judith Graham in New York and Laurie Freeman in Washington contributed to this story.